Summit Industrial Income REIT

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month periods ended March 31, 2018 and 2017

SUMMIT INDUSTRIAL INCOME REIT
For the three month periods ended March 31, 2018 and 2017

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SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Balance Sheets

As at March 31, 2018 and December 31, 2017

(In thousands of Canadian dollars)

	Note	**March 31, 2018**	December 31, 2017
Assets			
Non-current			
Investment properties	5	**$ 984,594**	$ 966,566
Loans receivable	6	**31,339**	29,182
		1,015,933	995,748
Current			
Accounts receivable	7	**2,093**	1,948
Prepaid expenses, deposits, and deferred financing costs	7	**4,595**	4,687
Cash		**2,729**	856
		9,417	7,491
Total assets		**$ 1,025,350**	$ 1,003,239
Liabilities			
Non-current			
Loans and borrowings	8	**$ 446,940**	$ 357,895
Security deposits		**4,040**	4,041
		450,980	361,936
Current			
Loans and borrowings	8	**68,770**	157,123
Trade and other accrued liabilities		**11,680**	9,408
Distributions payable	9	**2,891**	2,885
		83,341	169,416
Total liabilities		**534,321**	531,352
Unitholders' equity		**491,029**	471,887
Total liabilities and equity		**$ 1,025,350**	$ 1,003,239

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Approved by the Board of Trustees on May 8, 2018.

"Lou Maroun"
Trustee

"Jim Tadeson"
Trustee

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Income

For the three month periods ended March 31, 2018 and 2017

(In thousands of Canadian dollars, except per Unit amounts)

	Note		2018		2017
Revenue from investment properties		**$**	**21,408**	$	12,971
Property operating expenses			**6,633**		4,466
Net rental income			**14,775**		8,505
Other income					
Finance income			**622**		12
			622		12
Other expenses					
General and administrative			**1,066**		637
Finance costs			**4,703**		2,402
			5,769		3,039
Income before fair value adjustments to investment properties			**9,628**		5,478
Fair value adjustments to investment properties	5		**16,928**		709
Net income		**$**	**26,556**	$	6,187
Net income per Unit					
Basic	9	**$**	**0.395**	$	0.155
Diluted	9	**$**	**0.395**	$	0.155

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income

For the three month periods ended March 31, 2018 and 2017

(In thousands of Canadian dollars, except per Unit amounts)

	Note	2018	2017
Net income		**$ 26,556**	$ 6,187
Other comprehensive income			
Items that may be reclassified subsequently to net income:			
Net change in fair value of hedging derivative financial instrument		**(595)**	**(341)**
Net change in fair value of hedging derivative financial instrument reclassed to financial expense		**759**	351
Other comprehensive income		**164**	10
Comprehensive income		**$ 26,720**	$ 6,197

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the three month periods ended March 31, 2018 and 2017

(In thousands of Units and Canadian dollars)

	Fund Units	Note	Unit equity	Surplus	Accumulated other comprehensive loss	Unitholders' equity
Beginning balance, January 1, 2017	34,990		$ 217,395	$ 3,540	$ (355)	$ 220,580
Net income and other comprehensive income	-		-	6,187	10	6,197
Distributions	-	9	-	(5,354)	-	(5,354)
Units issued through DRIP	129	9	779	-	-	779
Issuance of Units, net of costs	7,423	9	43,864	-	-	43,864
Unitholders' equity, March 31, 2017	42,542		$ 262,038	$ 4,373	$ (345)	$ 266,066
Beginning balance, January 1, 2018	**67,084**		**$ 429,584**	**$ 41,021**	**$ 1,282**	**$ 471,887**
Net income and other comprehensive income	-		**-**	**26,556**	**164**	**26,720**
Distributions	-	9	**-**	**(8,666)**	**-**	**(8,666)**
Units issued through DRIP	**144**	9	**1,088**	**-**	**-**	**1,088**
Unitholders' equity, March 31, 2018	**67,228**		**$ 430,672**	**$ 58,911**	**$ 1,446**	**$ 491,029**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the three month periods ended March 31, 2018 and 2017

(In thousands of Canadian dollars)

	Note	2018	2017
Operating activities			
Net income		**$ 26,556**	$ 6,187
Add (deduct):			
Finance costs		**4,703**	2,402
Straight-line rent adjustment		**(484)**	(301)
Fair value adjustments to investment properties		**(16,928)**	(709)
Change in non-cash working capital items		**3,015**	746
Interest and finance fees paid		**(4,786)**	(2,394)
		12,076	5,931
Financing activities			
Repayment of loans and borrowings		**(93,008)**	(3,178)
Increase in loans and borrowings		**93,800**	10,229
Distributions paid	9	**(7,572)**	(4,258)
Net proceeds from Units issued	9	**-**	43,864
		(6,780)	46,657
Investing activities			
Additions to investment properties		**(574)**	(848)
Acquisition of investment properties		**-**	(50,621)
Loans receivable advanced		**(1,569)**	-
Increase in deposits on future acquisitions of investment properties		**(1,280)**	(786)
		(3,423)	(52,255)
Increase in cash		**1,873**	333
Cash, beginning of period		**856**	379
Cash, end of period		**$ 2,729**	$ 712

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. Reporting entity

Summit Industrial Income REIT ("Summit II" or the "Trust") is a mutual fund trust established under the laws of the Province of Ontario and is domiciled in Canada. The registered office of the Trust is 294 Walker Drive, Brampton, Ontario, L6T 4Z2. The Trust is primarily involved in the commercial leasing of real estate property with 53 property locations in Ontario, 22 properties in Quebec, 8 properties across Western Canada, and 1 property in Atlantic Canada. The Trust's Units are listed on the TSX and trade under the symbol "SMU.UN".

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements prepared for the year ended December 31, 2017.

The Board of Trustees authorized the issue of these condensed consolidated interim financial statements on May 8, 2018.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties and certain financial instruments which are recorded at fair value in accordance with the Trust's accounting policies set forth in Note 3.

The condensed consolidated interim financial statements are presented in thousands of Canadian dollars, unless otherwise noted, which is the functional currency of the Trust and its subsidiaries.

3. Significant accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements prepared as at and for the year ended December 31, 2017, as described in Note 3 of those consolidated financial statements.

(a) Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Trust and its wholly-owned subsidiaries, Summit Industrial Income Holdings Limited Partnership, Summit Industrial Income Operating Limited Partnership and Summit II Data Centres Limited Partnership and their respective general partners, Summit Industrial Income Holdings GP Ltd., Summit Industrial Income Corp. and Summit II Data Centres GP Inc. Subsidiaries are entities that the Trust controls. Control is achieved when the Trust has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Trust reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when

3. Significant accounting policies (continued)

the Trust loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income and comprehensive income from the date the Trust gains control until the date when the Trust ceases to control the subsidiary.

All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

(b) Judgements and estimates

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in these condensed consolidated interim financial statements and related notes to the condensed consolidated interim financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are accounted for prospectively.

Judgments are made in the selection and assessment of the Trust's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Judgment and estimates are often interrelated. Judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Details of the accounting policies subject to judgments and estimates the Trust believes could have the most significant impact on the amounts recognized in these condensed consolidated interim financial statements are described in Note 5 to the annual consolidated financial statements prepared as at and for the year ended December 31, 2017.

4. Accounting policy changes

Adoption of new and revised standards:

a) Impact of adoption of IFRS 9 - Financial Instruments ("IFRS 9")

In 2014, the IASB issued IFRS 9, "Financial Instruments", replacing IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 was effective for the Trust's annual period beginning on January 1, 2018.

The Trust adopted the new requirements for classification and measurement, impairment and general hedging on January 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively with no restatement of comparative periods. In addition, the effectiveness test has been replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. The Trust's interest rate swaps continue to

4. Accounting policy changes (continued)

qualify for hedge accounting under IFRS 9 and as a result, the adoption of IFRS 9 did not have a significant impact on its consolidated financial statements with respect to its interest rate swaps.

The Trust also applied related amendments to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"). As a result of applying the amendment, the Company will add disclosure relating to its risk management strategies for which hedge accounting is applied in its consolidated financial statements for the year ended December 31, 2018.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Financial liabilities are classified and measured on two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impacts upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities.

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Cash	Loans and receivable	Amortized cost
Accounts receivable	Loans and receivable	Amortized cost
Loans receivable - mezzanine	Loans and receivable	FVTPL
Loans receivable - other	Loans and receivable	Amortized cost
Trade and other accrued liabilities	Other financial liabilities	Amortized cost
Security deposits	Other financial liabilities	Amortized cost
Derivative assets and liabilities	FVTPL	FVTPL
Loans and borrowings	Other financial liabilities	Amortized cost
Distributions payable	Other financial liabilities	Amortized cost

Financial assets are not reclassified subsequent to their initial recognition, unless the Trust identifies changes in its business model in managing financial assets and would reassess the classification of financial assets.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each balance sheet date, to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments.

4. Accounting policy changes (continued)

The Trust adopted the practical expedient to determine ECL on accounts receivable using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL models applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The provision matrix and ECL models applied did not have a material impact on accounts receivable of the Trust as the Trust has had a negligible historical level of customer default.

b) Impact of adoption of IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") to specify a five-step approach to how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18 – *Revenues*, IAS 11 – *Construction Contracts*, and other revenue related interpretations and excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 was effective for the Trust's annual period beginning on January 1, 2018.

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle of the standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods and services. The adoption of IFRS 15 did not have a significant impact on the ongoing recognition of the Trust's revenues.

Future accounting policy changes:

The IASB has issued the following new standards that is expected to be relevant to the Trust in preparing its consolidated financial statements in future periods:

IFRS 16 – Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17, "Leases" and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Trust will not be early-adopting IFRS 16. The Trust is currently assessing the impact of IFRS 16 on its consolidated financial statements. However, based on its assessment of the standard to date, the Trust does not believe it will have a significant impact on its consolidated financial statements.

5. Investment properties

The following table presents the changes in investment properties:

	March 31, 2018	December 31, 2017
(In $ thousands)	**Total**	Total
Balance, beginning of period	**$ 966,566**	$ 496,337
Additions:		
Acquisition of investment properties	**-**	427,333
Additions to investment properties	**1,100**	6,684
Fair value gains	**16,928**	36,212
Balance, end of period	**$ 984,594**	$ 966,566

Approximately $977.7 million (December 31, 2017 - $959.7 million) of investment properties are used for security under loans and borrowings (Note 8).

Additions to investment properties of $1.1 million (December 31, 2017 - $6.7 million), relate to capital outlays, tenant leasing costs, capitalization of free rent receivable and net straight-line rent receivables arising from the recognition of rental revenues on a straight-line basis over the lease term in accordance with IAS 17, “Leases” and Standing Interpretations Committee (“SIC”) 15, “Operating Leases - Incentives”. At March 31, 2018, the total straight-line rent receivable is $5.3 million (December 31, 2017 - $4.8 million).

Approximately $31.4 million of the $984.6 million or 3% of the properties were appraised by third party valuation professionals during the three months ended March 31, 2018 (year ended December 31, 2017 - $251.7 million or 47% excluding current year acquisitions). The fair value of the remaining investment properties was determined internally by the Trust using similar assumptions and valuation principals as used by the external appraisers. On an annual basis, approximately 33% of the portfolio is expected to be appraised by an external third party, which over 3 years will represent 100% of the portfolio having been externally appraised.

The Trust values investment properties using Level 3 inputs. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets. Level 2 inputs are inputs other than quoted prices that are observable for the asset either directly or indirectly. Valuations that require the significant use of unobservable inputs are considered Level 3. There have been no transfers during the period between levels.

Investment properties were valued using a combination of the discounted cash flow method, the direct capitalization method, and the direct comparison method. In applying the discounted cash flow method, the expected future cash flows are discounted, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to the estimated year 11 net operating income. In applying the direct capitalization method, the stabilized net operating income is capitalized at the requisite overall capitalization rate. In applying the direct comparison method (price per square foot), the properties are compared to recent transactions considered to be similar in terms of location, condition, size, and tenancy.

5. Investment properties (continued)

These methods require certain key assumptions, including rental income, market rents, operating expenses, vacancies, inflation rates, discount rates, and capitalization rates to be made. The discount rate and capitalization rate are determined for each property based on available market information related to the sale of similar buildings within the same geographic locations. Based on a blend of the valuation methods, the fair value gains for the three months ended March 31, 2018 and 2017 were $16.9 million and $0.7 million respectively (year ended December 31, 2017 - $36.2 million).

Significant assumptions made to determine the fair value of the industrial investment properties are set out as follows:

	March 31, 2018			December 31, 2017		
(In $ thousands)	**Capitalization rate**	**Discount rate**	**Price per square foot**	Capitalization rate	Discount rate	Price per square foot
Weighted average	**5.80%**	**6.60%**	**$ 119.70**	5.95%	6.62%	$ 108.75

Excluded from the above table is the fair value assumption for the data centre property as the price per square foot would not be a significant assumption for this type of investment property. At March 31, 2018, the data centre investment property was valued at a capitalization rate of 6.75% and takes into consideration the fact that it is currently 50% occupied.

Fair values are most sensitive to change in capitalization rates. A 0.50% increase in the weighted average capitalization rate for investment properties would decrease fair value by $78.0 million (December 31, 2017 - $74.7 million) and a 0.50% decrease would increase fair value by $92.7 million (December 31, 2017 – $88.4 million).

6. Loans receivable

In March 2018, the Trust advanced an additional $1.2 million under the mezzanine loan to Urbacon Montreal Limited Partnership (“Urbacon”) originally issued in December 2017, bringing the total loan receivable balance to $17.0 million at March 31, 2018. This loan holds the option to convert into a 50% ownership interest in a recently completed state-of-the-art data centre located in downtown Montreal, Quebec. The loan matures December 22, 2021 and includes two one-year extension options. In addition, the Trust advanced an additional $0.4 million under the three-year $14.3 million non-revolving working capital loan to Urbacon originally issued in December 2017, bringing the total loan receivable balance to $11.8 million at March 31, 2018. This loan is to be primarily invested to develop additional data centres in Richmond Hill and other key markets.

For the three months ended March 31, 2018, interest income of $0.6 million (2017 - $nil) on the loans receivable have been reported in finance income on the consolidated statements of income.

7. Accounts receivable, prepaid expenses, deposits and deferred financing costs

(In $ thousands)		**March 31, 2018**		December 31, 2017
Tenant receivables	**$**	**831**	$	122
Other receivables		**1,262**		1,826
	$	**2,093**	$	1,948
Prepaid expense and deposits	**$**	**4,316**	$	4,391
Deferred financing costs		**279**		296
	$	**4,595**	$	4,687

8. Loans and borrowings

(In $ thousands)		**March 31, 2018**		December 31, 2017
Term mortgages	**$**	**464,460**	$	379,568
Revolving and non-revolving operating facility and demand loans		**51,250**		135,450
Total		**515,710**		515,018
Less: Current loans and borrowings		**68,770**		157,123
Non-Current loans and borrowings	**$**	**446,940**	$	357,895

(a) Term mortgages

In February 2018, the Trust extended $7.3 million in mortgage debt expiring March 1, 2018 to September 1, 2018. Additionally, the Trust extended the expiry of $4.7 million in mortgage debt from April 1, 2018 to October 1, 2018.

In March 2018, $88.0 million in mortgage financing was obtained at a variable interest of monthly BA-CDOR plus 1.36% with a term to maturity of ten years, which was effectively fixed at an interest rate of 4.10% by entering into a ten-year interest rate swap agreement at the same time. The Trust has applied hedge accounting to this transaction. Settlement of both fixed and variable portions of the interest rate swaps occurs at the same time monthly. The effectiveness of the hedging relationship is reviewed on a quarterly basis and the Trust has assessed it as effective in the hedge of its interest rate exposure on inception of the hedging relationship and at March 31, 2018. At March 31, 2018, the aggregate fair value of the interest rate swaps amounted to a $1.5 million financial asset (December 31, 2017 - $1.3 million financial asset).

Proceeds of the $88.0 million in mortgage financing and the balance from the revolving operating facility were used to repay the $90.0 million non-revolving bridge credit facility obtained to acquire properties in December 2017.

8. Loans and borrowings (continued)

Total term mortgages bear interest at a weighted average effective interest rate of 3.62% (December 31, 2017 - 3.50%) and a weighted average stated interest rate of 3.70% (December 31, 2017 - 3.59%). The term mortgages are secured by first registered mortgages over specific properties and first general assignments of leases, insurance and registered chattel mortgages.

Included in mortgages payable is $1.7 million (December 31, 2017 - $1.8 million) of unamortized mark-to-market premiums related to a mortgage assumed on acquisition, and $0.9 million (December 31, 2017 - $0.9 million) of unamortized deferred financing charges.

Principal repayment requirements for term mortgages are as follows:

(In $ thousands)	
2018 (remainder)	$ 62,133
2019	43,030
2020	53,609
2021	39,299
2022	92,275
2023	38,734
Thereafter	134,572
Principal amount	463,652
Premium on debt	1,683
Deferred financing charges	(875)
Total term mortgages	$ 464,460

(b) Revolving operating facility

As at March 31, 2018, approximately $47.8 million (December 31, 2017 - $42.0 million), of an available $57.6 million, was drawn from the revolving operating facility. The revolving operating facility maturity date is September 27, 2019. The operating facility is interest bearing at a variable interest rate based on bank prime plus 1% for prime rate loans or banker's acceptance rates plus 2% for banker's acceptances.

The revolving operating facility is secured by first charges over specific investment properties, with a fair value of $107.3 million (December 31, 2017 - $99.7 million), and first general assignment of leases and insurance.

9. Unitholders' equity

(a) Authorized

The Trust is authorized to issue an unlimited number of Units. Each Unit, which has no par value, represents a single vote at any meeting of Unitholders and entitles the Unitholder to receive a pro rata share of all distributions. Each Unitholder shall be entitled to require the Trust to redeem at any time from time to time at the demand of the Unitholder all or any part of the Units registered in the name of the Unitholder at the prices determined and payable in accordance with the conditions hereinafter provided.

9. Unitholders' equity (continued)

A maximum amount of $25,000 may be redeemed in cash in any one month unless otherwise waived by the Board of Trustees. Any redemption in excess of $25,000 will be settled by way of the issuance by the Trust a promissory note in a principal amount equal to the redemption price determined in accordance with the Declaration of Trust.

(b) Issued and outstanding

The following is a continuity of the Trust's issued and outstanding Units:

(In thousands)	Number of Units		Carrying amount
Balance January 1, 2017	34,990	$	217,395
Issuance of Units on January 31, 2017	7,423		43,864
Units issued under the DRIP	129		779
Balance March 31, 2017	42,542	$	262,038

(In thousands)	Number of Units		Carrying amount
Balance January 1, 2018	**67,084**	**$**	**429,584**
Units issued under the DRIP	**144**		**1,088**
Balance March 31, 2018	**67,228**	**$**	**430,672**

The Trust has a Distribution Reinvestment Plan ("DRIP") whereby registered or beneficial holders of the Trust's Units who are residents in Canada can acquire additional Trust Units by reinvesting all or a portion of their monthly cash distributions without paying brokerage commissions. In addition, Unitholders who elect to participate in the DRIP receive a further distribution of Trust Units equal to 5% of each distribution that was reinvested by them. During the three-month period ended March 31, 2018, there were 144,241 Units (2017 – 128,881) issued under this plan for total proceeds of $1.1 million (2017 - $0.8 million), representing 12.6% (2017 – 15.5%) of the related distributions.

(c) Distributions

The Trust recorded the following activities relating to distributions during the three-month periods ended March 31:

(In $ thousands, except per Unit amounts)		**2018**		2017
Paid in cash	**$**	**7,572**	$	4,258
Reinvested by Unitholders under the DRIP		**1,088**		779
$0.0430 per Unit payable at December 31 (paid January)		**(2,885)**		(1,470)
$0.0430 per Unit payable at March 31 (2017 - $0.0420 per Unit)		**2,891**		1,787
Distributions recorded in equity	**$**	**8,666**	$	5,354

9. Unitholders' equity (continued)

(d) Per Unit amounts

The weighted average number of Units for the three-month periods ended March 31 are as follows:

(In thousands of Units)	**2018**	2017
Issued Units, beginning of period	**67,084**	34,990
Issuance of Units January 31, 2017	**-**	4,949
Issuance of Units under the DRIP	**74**	64
Total weighted average number of Units outstanding	**67,158**	40,003

As at March 31, 2018 and 2017, the Trust has no Units or instruments outstanding that would have a dilutive effect on net income per Unit.

(e) Trustee Deferred Unit Plan

Effective May 10, 2017, the Trust's Board of Trustees authorized a Deferred Unit Plan (the "Plan") that provides for the granting of Deferred Units to Trustees in lieu of cash for up to 100% of their Trustee Fees (the "Elected Amount"). Under the Plan, the Trust will match the Elected Amount of each participant by issuing additional Deferred Units up to a maximum value of $10,000 (the "Match Incentive"). The maximum value of the aggregate number of Units that may be subject to grants of Deferred Units to any one Trustee during any financial year of the REIT will be no greater than $150,000.

Deferred Units granted under the Elected Amount will vest on the day that is 12 months following the date of the grant. Additional Deferred Units issued pursuant to the Match Incentive will vest in accordance with the following schedule: a) 50% on the third anniversary of the grant; b) 25% on the fourth anniversary of the grant; and c) 25% on the fifth anniversary of the grant. Vested Deferred Units may be redeemed in whole or in part for Units issued from treasury or cash as elected by the participant.

The maximum number of Units reserved for issuance is 425,420. One Deferred Unit is economically equivalent to one Unit and fractional Deferred Units are permitted.

A summary of Deferred Units granted under the Plan for the three-month period ended March 31, 2018 is:

	Number of Units
Balance January 1, 2018	23,210
Deferred Units granted for services rendered including match incentive	10,631
Deferred Units granted through distributions	521
Balance March 31, 2018	34,362

The fair value of a Unit, for the purpose of the Deferred Unit Plan, is calculated as the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding the grant date. The liability related to the Plan is measured at fair value and is remeasured to fair value at each reporting date and at the date of settlement. The fair value changes are recorded within general and

9. Unitholders' equity (continued)

administrative expense in the condensed consolidated interim statements of income. The total fair value of Deferred Units granted and recognized as compensation expense within general and administrative expense for the three-month periods ended March 31, 2018 was $79,000 (2017 - $nil) and includes $20,000 in fair value adjustments. In total, for the three-month period ended March 31, 2018, $279,000 (2017 - $nil) is included in trade and other accrued liabilities relating to the Deferred Unit Plan.

10. Related party transactions

(a) Management agreement

Pursuant to the terms of the Management Agreement with Sigma Asset Management Limited ("Sigma" or the "Manager"), Sigma provides Summit II with the services necessary to manage its day-to-day operations. The Management Agreement, dated September 25, 2012, has an initial term of ten years, subject to earlier termination in certain circumstances, and will be automatically renewed for successive five-year terms. Sigma is related to Summit II by virtue of having some officers and Trustees in common.

The Management Agreement was amended March 29, 2018, in order to reflect certain structural changes to the fees payable to the Manager in certain contexts. The 2018 amendments were made in response to the prior requirement, which provided that the acquisition fee be re-evaluated within 60 days of the gross book value of the properties owned by Summit II exceeding $1 billion. The 2018 amendments include the removal of this threshold, replacing it with a requirement that the Manager take 25% of the acquisition fee in Units (in lieu of taking that 25% in cash as the Manager had done prior to these 2018 amendments), to be issued at 100% of the average market price. The average market price is defined as the volume weighted average of the closing price for a board lot (100 Trust Units) of Units quoted in Canadian dollars on the exchange on which the Units trade for the five trading days immediately preceding the payment date. The Units issued to the Manager in satisfaction of 25% of the acquisition fee, will be issued to the Manager from the Manager Compensation Units previously authorized (maximum Units 1,824,159).

The Management Agreement sets out the fees payable to the Manager for the services provided, such fees being: A base annual management fee equal to 0.25% of the gross value of Summit II's assets; an incentive fee for the fiscal year ending December 31, 2014 and onward, equal to 15% of Summit II's adjusted funds from operations ("AFFO") per unit, as defined by the Management Agreement, in excess of a $0.48 hurdle amount, such hurdle amount to be increased by 1.5% each year ($0.5171 effective January 1, 2018); an acquisition fee for the purchase price paid by Summit II on the acquisition of a property equal to 1% of the first $50 million of the purchase price, 0.75% of the next $50 million of the purchase price, and 0.50% of any portion of the purchase price in excess of $100 million, to be satisfied 75% in cash, and 25% in Trust Units, with such Trust Units to be issued by Summit II from treasury at a price per Trust Unit equal to 100% of the average market price; a development fee in an amount to be negotiated between Summit II and the Manager, not to exceed the fair market value for comparable services; a property management fee equal to 3.5% of the gross rental income from each multi-tenant property, and 2.5% of the gross rental income from each single-tenant property, and other property management costs recoverable under tenant operating leases; a leasing fee equal to $1.00 per rentable square foot only for those properties where the Manager provides leasing services; and a capital expenditures fee equal to 5% of all hard construction costs incurred on any capital project of Summit II,

10. Related party transactions (continued)

where the Manager is the project manager for the project and the hard construction costs of the project are in excess of $200,000.

The Manager can elect to take all (or any percentage of all) fees payable to it under the Management Agreement (and any property management agreement) in the form of units, rather than in cash. The exception being the acquisition fee where a minimum of 25% of the fee must be taken in the form of units.

Under the terms of the Management Agreement with Sigma, the Trust has incurred the following fees for the three-month periods ended March 31:

(In $ thousands)	**2018**	2017
Acquisition fees (capitalized to investment properties)	**$ 16**	$ 838
Asset management fees	**597**	325
Incentive fee (payable upon approval of year end financial statements)	**80**	-
Leasing fees (capitalized to investment properties)	**29**	121
Capital expenditures management fee (capitalized to investment properties)	**-**	30
Property management services	**521**	356
	$ 1,243	$ 1,670

Included in trade and other accrued liabilities at March 31, 2018 is an amount of $501,000 (2017 - $nil) due to Sigma. Also, during the three-month period ended March 31, 2018, Sigma paid $8,800 to the Trust (2017 - $8,500) for office space located at 294 Walker Drive, Brampton, Ontario, under a five-year lease commencing June 1, 2013.

(b) Trustee Fees

Trustee related fees of $79,000 (2017 - $63,000) are included in general and administrative expenses for the three-month period ended March 31, 2018. The 2018 fees include the fair value of Deferred Units of $20,000 as described in Note 10.

11. Segmented information

In determining the Trust's segment structure, the Company considered the basis on which management, including the Chief Executive Officer, reviews the financial and operational performance of the Trust, and whether any of the Trust's income-producing properties share similar economic or operational characteristics.

Prior to the acquisition of one data centre on December 22, 2017, the Trust did not distinguish or group its operations on geographical or any other basis and accordingly, had a single reportable segment for disclosure purposes. However, following the above-noted acquisition, the Trust determined that management began measuring performance separately between two types of income-producing properties: Industrial and Data Centres. Performance is measured and evaluated based on net rental income, which is presented by reportable segment in the table below.

				Three months ended March 31, 2018
(In $ thousands)	Industrial	Data Centres	Corporate	Total
Revenue from investment properties	**$ 20,071**	**$ 1,337**	**$ -**	**$ 21,408**
Property operating expenses	**(6,208)**	**(425)**	**-**	**(6,633)**
Net rental income	**$ 13,863**	**$ 912**	**$ -**	**$ 14,775**
Finance income	**-**	**-**	**622**	**622**
General and administrative	**-**	**-**	**(1,066)**	**(1,066)**
Finance costs	**-**	**-**	**(4,703)**	**(4,703)**
Fair value adjustments to investment properties	**11,923**	**5,005**	**-**	**16,928**
Net income	**$ 25,786**	**$ 5,917**	**$ (5,147)**	**$ 26,556**

				Three months ended March 31, 2017
(In $ thousands)	Industrial	Data Centres	Corporate	Total
Revenue from investment properties	$ 12,971	$ -	$ -	$ 12,971
Property operating expenses	(4,466)	-	-	(4,466)
Net rental income	$ 8,505	$ -	$ -	$ 8,505
Finance income	-	-	12	12
General and administrative	-	-	(637)	(637)
Finance costs	-	-	(2,402)	(2,402)
Fair value adjustments to investment properties	709	-	0	709
Net income	$ 9,214	$ -	$ (3,027)	$ 6,187

11. Segmented information (continued)

			As at March 31, 2018
(In $ thousands)	Industrial	Data Centres	Total
Investment properties	**$ 937,794**	**$ 46,800**	**$ 984,594**

			As at December 31, 2017
(In $ thousands)	Industrial	Data Centres	Total
Investment properties	$ 924,873	$ 41,693	$ 966,566

12. Income tax

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to its Unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual Unitholder, no provision for income taxes has been recorded.

The Canadian Income Tax Act contains rules (the "SIFT Rules") applicable to specified investment flow-through ("SIFT") trusts, which generally tax the SIFT trust on its income from business carried on in Canada and on income (other than taxable dividends) or capital gains from non-portfolio properties (as defined in the Canadian Income Tax Act) and the distribution of such income to Unitholders is generally treated as dividends received from a taxable Canadian corporation. If the income is not distributed, the Trust will be taxed on its income. In general, distributions paid as returns of capital will not be subject to this tax.

Income taxes have not been recorded during the period. The SIFT Rules are not applicable to real estate investment trusts ("REITs") that meet certain specified criteria relating to the nature of its revenue and investments (the "REIT Exemption"). The Trust qualified as a REIT for 2017 and expects to continue to distribute its taxable income and to qualify as a REIT for the foreseeable future. As such, deferred taxes have not been recorded in these condensed consolidated interim financial statements.

13. Subsequent events

(a) Distributions

On April 13, 2018, a distribution in the amount of $0.043 per Unit for Unitholders of record April 30, 2018, was declared and will be paid May 15, 2018.

On May 8, 2018, the Board of Trustees approved a special cash distribution of $0.018 per Unit associated with the sale of a 75% interest in four properties (see below). This special distribution will apply to Unitholders of record May 16, 2018 and will be paid on May 31, 2018.

13. Subsequent events (continued)

(b) Acquisitions

On March 28, 2018, the Trust announced it will acquire, on or before June 1, 2018, a light industrial property in Stratford, Ontario, aggregating 141,034 square feet of GLA for $14.9 million. The acquisition will be satisfied by a new $10.0 million five-year mortgage with an expected 3.955% interest rate and the balance from the revolving operating facility.

(c) Dispositions

On May 8, 2018, the Trust announced it had sold a 75% interest in four properties, one located in each of Brockville, Ottawa and Mississauga, Ontario, and one in Laval, Quebec, totaling 406,360 square feet to a major Canadian institution for proceeds of approximately $46.4 million. The proceeds of the sale were used to reduce the Trust's revolving operating facility.